Crescita Therapeutics™ Inc.

Consolidated
Financial Statements
December 31, 2016
(audited)

Management's Report

The accompanying Consolidated Financial Statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these financial statements and the accompanying Management's Discussion and Analysis. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The significant accounting policies followed by the Company are set out in Note 3 to the Consolidated Financial Statements.

To assist management in discharging these responsibilities, the Company maintains a system of procedures and internal controls which are designed to provide reasonable assurance that its assets are safeguarded, that transactions are executed in accordance with management's authorization, and that the financial records form a reliable base for the preparation of accurate and timely financial information.

The Company's external auditors are appointed by the shareholders. They independently perform the necessary tests of accounting records and procedures to enable them to report their opinion as to the fairness of the Consolidated Financial Statements and their conformity with IFRS.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors exercises this responsibility through an Audit Committee composed of three Directors, all of whom are not involved in the day-to-day operations of the Company. The Audit Committee meets quarterly with management, and with external auditors to review audit recommendations and any matters that the auditors believe should be brought to the attention of the Board of Directors. The Audit Committee reviews the Consolidated Financial Statements and Management's Discussion and Analysis and recommends their approval to the Board of Directors.

Daniel N. Chicoine
Executive Chairman and
Interim Chief Executive Officer
March 29, 2017

Muneerah Kanji
Interim Chief Financial Officer

March 29, 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Crescita Therapeutics Inc.

We have audited the accompanying consolidated financial statements of Crescita Therapeutics Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Crescita Therapeutics Inc. as at December 31, 2016 and 2015, and their financial performance and cash flows for the years ended December 31, 2016 and 2015 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3 in the consolidated financial statements which indicates that the Company incurred a net loss of $14,948,000 during the year ended December 31, 2016 and, as of that date the Company had an accumulated deficit of $(31,140,000). These conditions, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

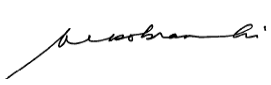
March 29, 2017
Toronto, Canada

CRESCITA THERAPEUTICS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian dollars in thousands)	***Notes***	**As at December 31, 2016** **$**	As at December 31, 2015 $
ASSETS			
CURRENT			
Cash and cash equivalents	*20*	**9,807**	478
Restricted short-term investments	*11, 20*	**8,551**	-
Accounts receivable	*20, 23*	**1,679**	195
Inventories	*7*	**2,982**	374
Other current assets	*8*	**1,353**	61
TOTAL CURRENT ASSETS		**24,372**	1,108
NON-CURRENT			
Property, plant and equipment	*9*	**810**	80
Intangible assets	*5, 10*	**9,839**	-
Goodwill	*5*	**7,997**	-
TOTAL ASSETS		**43,018**	1,188
LIABILITIES AND EQUITY			
CURRENT			
Accounts payable and accrued liabilities	*14, 20*	**6,011**	4,329
Current portion of long-term debt	*5, 11, 20*	**723**	-
Current portion of other obligations	*12, 20*	**1,000**	190
TOTAL CURRENT LIABILITIES		**7,734**	4,519
Long-term debt	*5, 11, 20*	**7,441**	-
Other obligations	*5, 12, 20*	**1,035**	35
TOTAL LIABILITIES		**16,210**	4,554
EQUITY			
Common shares issued and to be issued	*5, 13*	**56,425**	-
Contributed surplus	*14*	**359**	-
Owner's net investment	*1, 13*	**-**	(4,425)
Accumulated other comprehensive income (AOCI)		**1,164**	1,059
Deficit	*13*	**(31,140)**	-
TOTAL EQUITY		**26,808**	(3,366)
TOTAL LIABILITIES AND EQUITY		**43,018**	1,188

Commitments (Note 19)
See accompanying Notes.

On behalf of the Board of Directors



Anthony E Dobranowski, Director

David Copeland, Director

CRESCITA THERAPEUTICS INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Canadian dollars in thousands, except per share and share figures)	***Notes***	**Year ended December 31, 2016** **$**	Year ended December 31, 2015 $
REVENUE			
Product sales	*22*	**3,012**	-
Royalties	*22*	**132**	228
Services revenue	*22, 23*	**360**	-
Total revenue		**3,504**	228
OPERATING EXPENSES			
Cost of goods sold	*7, 16*	**2,335**	-
Research and development	*14, 16, 23*	**2,015**	1,528
Selling, general and administrative	*14, 16, 23*	**13,724**	6,096
Interest expense	*11, 12*	**123**	40
Interest income		**(124)**	-
Total operating expenses		**18,073**	7,664
OTHER EXPENSES			
Foreign currency loss		**230**	29
Net loss before income taxes from continuing operations		**(14,799)**	(7,465)
Income tax recovery	*18*	**(2,097)**	-
NET LOSS FROM CONTINUING OPERATIONS		**(12,702)**	(7,465)
NET LOSS FROM DISCONTINUED OPERATIONS	*6*	**(2,246)**	(7,983)
NET LOSS		**(14,948)**	(15,448)
Other comprehensive income (loss) to be reclassified to net loss in subsequent periods			
Unrealized gains (losses) on translation of foreign operations		**105**	(65)
TOTAL COMPREHENSIVE LOSS		**(14,843)**	(15,513)
Net loss per common share from continuing operations			
- basic and diluted	*15*	**(1.04)**	(0.68)
Net loss per common share from discontinued operations			
- basic and diluted	*6, 15*	**(0.18)**	(0.73)
Weighted average number of common shares outstanding (in thousands)			
- basic and diluted	*15*	**12,251**	10,926

See accompanying Notes.

CRESCITA THERAPEUTICS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Canadian dollars in thousands, except for number of shares)	Common Shares		Contributed Surplus	Deficit	Owner's Net Investment	AOCI	Total
	000s	$	$	$	$	$	$
Notes	*1, 5, 13, 14*	*1, 5, 13, 14*	*5, 13, 14*		*1, 13*		
Balance, December 31, 2014	-	-	-	-	(3,225)	1,124	(2,101)
Net loss	-	-	-	-	(15,448)	-	(15,448)
Net adjustments to owner's net investment	-	-	-	-	14,248	-	14,248
Unrealized losses on translation of foreign operations	-	-	-	-	-	(65)	(65)
Balance, December 31, 2015	-	-	-	-	(4,425)	1,059	(3,366)
Net loss	-	-	-	(11,768)	(3,180)	-	(14,948)
Net adjustments to owner's net investment	-	-	-	-	4,830	-	4,830
Cash transferred from Nuvo Research Inc. (Nuvo) in connection with the Arrangement	-	-	-	-	35,016	-	35,016
Issuance of common stock and reclassification of owner's net investment to deficit in connection with the Arrangement	11,487	51,613	-	(19,372)	(32,241)	-	-
Issuance of shares on acquisition	2,402	3,988	-	-	-	-	3,988
Future issuance of shares on acquisition	470	779	-	-	-	-	779
Shared-based option exercise	46	45	-	-	-	-	45
Issuance of warrants	-	-	211	-	-	-	211
Share based compensation expense	-	-	148	-	-	-	148
Unrealized losses on translation of foreign operations	-	-	-	-	-	105	105
Balance, December 31, 2016	**14,405**	**56,425**	**359**	**(31,140)**	-	**1,164**	**26,808**

See accompanying Notes.

CRESCITA THERAPEUTICS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Canadian dollars in thousands)	***Notes***	**Year ended December 31, 2016** **$**	Year ended December 31, 2015 $
OPERATING ACTIVITIES			
Net loss from continuing operations		**(12,702)**	(7,465)
Net loss from discontinued operations		**(2,246)**	(7,983)
Items not involving current cash flows:			
Depreciation and amortization	*9, 10, 16*	**418**	37
Equity-settled share-based compensation	*14*	**177**	121
Unrealized foreign exchange losses		**316**	32
Deferred taxes	*18*	**(2,097)**	-
Loss on disposal, net of cash transferred	*6*	**37**	-
Fair value adjustment of milestones	*12*	**(134)**	-
Inventory write-down	*7*	**342**	135
Fixed asset impairment	*6, 9*	**27**	-
Accretion and amortization of debt premium	*11, 12*	**(65)**	40
		(15,927)	(15,083)
Net change in non-cash working capital	*17*	**(2,650)**	1,165
CASH USED IN OPERATING ACTIVITIES		**(18,577)**	(13,918)
INVESTING ACTIVITIES			
Acquisition of INTEGA, net of cash acquired	*5*	**(2,744)**	-
Acquisition of property, plant and equipment	*9*	**(123)**	(23)
Purchases of short-term investments	*11*	**(8,551)**	-
CASH USED IN INVESTING ACTIVITIES		**(11,418)**	(23)
FINANCING ACTIVITIES			
Additional net investment from Nuvo prior to the Arrangement		**4,801**	14,127
Cash transferred from Nuvo per the Arrangement	*1*	**35,016**	-
Cash received on exercise of options	*14*	**45**	-
Payments under long-term consulting agreement	*12*	**(280)**	(186)
CASH PROVIDED BY FINANCING ACTIVITIES		**39,582**	13,941
Effect of exchange rate changes on cash		**(258)**	35
Net change in cash during the year		**9,329**	35
Cash, beginning of year		**478**	443
CASH, END OF YEAR		**9,807**	478
Interest paid [(i)]		**158**	-
Interest received [(i)]		**99**	-

[(i)] Amounts paid and received were reflected as operating cash flows in the Consolidated Statements of Cash Flows.

See accompanying Notes.

CRESCITA THERAPEUTICS™ INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unless noted otherwise, all amounts shown are in thousands of Canadian dollars

1. CORPORATE INFORMATION

Crescita Therapeutics Inc. (Crescita or the Company) is a Canadian commercial dermatology company with a portfolio of non-prescription skincare products and prescription drug products for the treatment and care of skin conditions and diseases and their symptoms. Crescita owns multiple proprietary drug delivery platforms that support the development of patented formulations that can facilitate the delivery of active drugs into or through the skin. During the year ended December 31, 2016, the Company acquired INTEGA Skin Sciences Inc. (INTEGA) (see Note 5, *Acquisition of INTEGA*) and discontinued the operations of the Immunology Group (see Note 6, *Discontinued Operations*). The Company's registered office is located at 7560 Airport Road, Unit 10, Mississauga, Ontario, L4T 4H4.

Reorganization

On March 1, 2016, Nuvo Research Inc. (Nuvo) completed a transaction (the Reorganization) pursuant to which Nuvo was reorganized into two separate publicly traded companies, Nuvo and Crescita. The Reorganization proceeded by way of arrangement under the *Canada Business Corporations Act* (the Arrangement). As part of the Reorganization, Nuvo Research Inc. changed its name to "Nuvo Pharmaceuticals Inc." Detailed information regarding the Reorganization and its effects, including a description of certain risks and uncertainties in respect of the Reorganization and the operations of Nuvo and Crescita as separate publicly traded companies, are included in the Management Information Circular of Nuvo dated December 31, 2015 (Nuvo Reorganization Circular) available under Nuvo's profile at www.sedar.com.

Prior to the Reorganization, Nuvo operated two distinct business units: Nuvo and Crescita. Nuvo is a commercial healthcare company with a portfolio of commercial products and pharmaceutical manufacturing capabilities. Crescita is a commercial dermatology business that operated two sub-groups: the Topical Products and Technology (TPT) Group and the Immunology Group. The TPT Group has one commercial product, a pipeline of topical and transdermal products focusing on pain and dermatology and multiple drug delivery platforms that support the development of patented formulations that can deliver actives into or through the skin. The Company's acquisition of INTEGA on September 1, 2016 provides the TPT Group distribution rights to INTEGA's well-known and established skincare brands: Laboratoire Dr Renaud™, Pro-Derm™, Premiology® and ISDIN® (the trademark is owned by ISDIN S.A. and is being used under license by INTEGA Skin Sciences Inc.). The Immunology Group had two commercial products and is presented as discontinued operations in these Consolidated Financial Statements; therefore, the Company is reporting the entire business as one segment.

These Consolidated Financial Statements present the financial position, results of operations, changes in equity and cash flows of Nuvo's drug development operations as if it had always operated as a stand-alone entity prior to March 1, 2016. The financial results for the periods prior to March 1, 2016 represent the financial position, results of operations and cash flows of Nuvo's drug development operations on a combined carve-out basis.

The financial information prior to March 1, 2016 has been primarily derived from the accounts of Nuvo's wholly owned United States and European subsidiaries, adjusted to remove balances and transactions related to a commercialized product that did not form part of Crescita - the heated lidocaine/tetracaine patch (HLT Patch).

The financial information prior to March 1, 2016 also includes an allocation of balances and transactions relating to both corporate office activities performed on behalf of the Company by Nuvo and certain drug development activities performed on behalf of the Company by Nuvo.

As the financial information prior to March 1, 2016 represents a portion of the business of Nuvo which was not organized as a stand-alone entity, the net assets of Crescita prior to March 1, 2016 have been reflected as owner's net investment.

Management believes both the assumptions and the allocations underlying the financial information prior to March 1, 2016 are reasonable. However, as a result of the basis of presentation described above, the financial information prior to March 1, 2016 may not necessarily be indicative of the operating results and financial position that would have resulted had Crescita historically operated as a stand-alone entity.

2. BASIS OF PREPARATION

Statement of Compliance
These Consolidated Financial Statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

The policies applied to these Consolidated Financial Statements are based on IFRS, which have been applied consistently to all periods presented. These Consolidated Financial Statements were issued and effective as at March 29, 2017, the date the Board of Directors approved these Consolidated Financial Statements.

3. GOING CONCERN ASSUMPTION

These Consolidated Financial Statements have been prepared on a going-concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future.

As at December 31, 2016, the Company had an accumulated deficit of $31.1 million including a net loss of $14.9 million for the year ended December 31, 2016.

The Company anticipates that its current cash and the revenue it expects to generate from product sales and milestone payments related to out-licensing its products, in addition to royalty payments on the global net sales of Pliaglis may not fund Crescita's operations as currently planned through 2017. Additional funding may be required for the development of new products and/or for future acquisitions. Unexpected increases in Crescita's costs and expenses due to operational decisions made by the Company and/or factors beyond the Company's control could cause its cash resources to be depleted and profitability will not be achieved.

There can be no assurance that Crescita will have sufficient capital to fund its ongoing operations or develop or commercialize any further products or make product acquisitions without future financings, and until such time as Crescita files its Business Acquisition Report (BAR) with respect to the acquisition of INTEGA, it will be unable to issue securities qualified by a prospectus. In addition, if it is able to do so, Crescita may not be able to secure adequate debt or equity financing on desirable terms or at all. The credit ratings that Crescita might obtain in connection with any debt financing may make securing debt financing prohibitive. There can be no assurance that additional financing will be available on acceptable terms or at all.

If adequate funds are not available, Crescita may have to substantially reduce or eliminate planned expenditures, terminate or delay clinical trials for its product candidates, curtail product development programs designed to expand the product pipeline or discontinue certain operations.

As there can be no certainty as to the outcome of the above matters, there is material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These Consolidated Financial Statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Measurement
These Consolidated Financial Statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value. Items included in the financial statements of each consolidated entity in the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These Consolidated Financial Statements are presented in Canadian dollars, which is the Company's functional currency.

Use of Estimates and Judgments
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of these Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates and such differences could be material.

Key areas of estimation or use of managerial assumptions include corporate allocations resulting from the Reorganization (see Note 23, *Related Party Transactions)* and acquisition accounting (see Note 5, *Acquisition of INTEGA).*

Key areas of estimation or use of managerial assumptions are as follows:

(i) Allocations

Nuvo paid certain costs for the Company and performed certain activities on behalf of the Company. As a result, these Consolidated Financial Statements include allocations of certain balances and transactions reported in the accounts of Nuvo.

An entity included in these Consolidated Financial Statements paid certain costs for Nuvo and performed certain activities on behalf of Nuvo related to the HLT Patch. Accordingly, an allocation of certain balances and transactions reported in the accounts of this entity have been excluded from these Consolidated Financial Statements.

Compensation related costs have been allocated using methodologies primarily based on proportionate time spent on the Company's and Nuvo's respective activities. These cost allocations have been determined on a basis considered by the Company and Nuvo to be a reasonable reflection of the utilization of services provided to the Company.

(ii) Purchase price allocation and intangibles

The purchase price allocation process resulting from a business combination requires management to estimate the fair value of identifiable assets acquired including intangible assets and liabilities assumed including any contingently payable purchase price obligations due over time. The Company uses valuation techniques, which are generally based on forecasted future net cash flows discounted to present value. These valuations are closely linked to the assumptions used by management on the future performance of the related assets and the discount rates applied.

For the acquisition of INTEGA, the estimated future cash flows were based on the budget and strategic plan for the first 5 years and a growth rate of 3.5% was applied to derive a terminal value beyond the initial 5-year period. The discount rate used to calculate the fair value of the business was 13.6%. The fair value of the contingently payable purchase price obligation is based on a weighted average probability of achieving the earn-out target.

(iii) Cash-generating units

The identification of cash-generating units (CGUs) within the Company requires considerable judgment. Under IFRS, management must determine the smallest group of assets that generate independent cash inflows. Management first considers the Company's commercialized products and then determines the operations that contribute to each product's revenue base and net cash inflows. Management has identified one CGU for the Company.

(iv) Impairment of non-financial assets and goodwill

The Company reviews the carrying value of non-financial assets for potential impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. However, goodwill is tested for impairment annually in the fourth quarter. The impairment test on CGUs is carried out by comparing the carrying amount of the CGU and its recoverable amount. The recoverable amount of a CGU is the higher of its fair value, less costs to sell and its value in use. The recoverable amount has been determined by management using fair value less costs to sell model. This complex valuation process entails the use of methods, such as the discounted cash flow method which requires numerous assumptions to estimate future cash flows. The recoverable amount is impacted significantly by the discount rate used in the discounted cash flow model, as well as the quantum and timing of expected future cash flows and the growth rate used for the extrapolation.

The estimated future cash flows were based on the budget and strategic plan for the first 5 years and a growth rate of 3.5% was applied to derive a terminal value beyond the initial 5-year period. The post-tax discount rate used to calculate the recoverable amount in fiscal year 2016 was 13.1%.

A 100-basis point increase in the post-tax discount rate would have resulted in an impairment charge of $0.9 million in 2016.

A 10% decrease, evenly distributed over future periods, in the expected future net cash inflows would have resulted in an impairment charge of $0.7 million in 2016.

(v) Share-based payments

The Company measures the cost of share-based payments, either equity or cash-settled, with employees by reference to the fair value of the equity instrument or underlying equity instrument at the date on which they are granted. In addition, cash-settled share-based payments are revalued to fair value at every reporting date.

Estimating fair value for share-based payments requires management to determine the most appropriate valuation model for a grant, which is dependent on the terms and conditions of each grant. In valuing certain types of share-based payments, such as incentive stock options and share appreciation rights, the Company uses the Black-Scholes option pricing model.

Several assumptions are used in the underlying calculation of fair values of the Company's stock options and share appreciation rights using the Black-Scholes option pricing model, including the expected life of the option, stock price volatility and forfeiture rates. Details of the assumptions used are included in Note 14, *Share-based Compensation and Other Share-based Payments*.

Basis of Consolidation

These Consolidated Financial Statements include the accounts of the Company's wholly owned Canadian, U.S. and European subsidiaries, as listed below. The financial information prior to March 1, 2016 has been adjusted to remove balances and transactions related to the HLT Patch.

	December 31, 2016	December 31, 2015
INTEGA Skin Sciences Inc.	**100%**	-
Nuvo Research America, Inc. and its subsidiaries: Nuvo Research US, Inc., ZARS Pharma, Inc., and ZARS (UK) Limited	**100%**	100%
Dimethaid Immunology Inc.	**100%**	100%
Nuvo Research AG and its subsidiary:[(i)] Nuvo Research GmbH	**100%**	100%

[(i)] On July 11, 2016, the Company sold its German manufacturing operation (see Note 6, *Discontinued Operations*).

The Company controls the subsidiaries above with the power to govern their financial and operating policies. All significant intercompany balances and transactions have been eliminated upon consolidation.

Foreign Currency Translation

Entities included in these Consolidated Financial Statements each determine their functional currency based on the currency of the primary economic environment in which they operate. The functional currency of the Company's corporate operations is the Canadian dollar, while the functional currencies of the Company's foreign operations are either the U.S. dollar or euro.

(i) Transactions

Transactions denominated in a currency other than the functional currency of an entity are translated at exchange rates prevailing at the time the transaction occurred. The resulting exchange gains and losses are included in each entity's net loss in the period in which they arise.

(ii) Translation into presentation currency

The Company's foreign operations are translated into the Company's presentation currency, which is the Canadian dollar, for inclusion in these Consolidated Financial Statements. Foreign-denominated monetary and non-monetary assets and liabilities of foreign operations are translated at exchange rates in effect at the end of the reporting period and revenue and expenses are translated at the average exchange rate for the period (as this is considered a reasonable approximation to actual rates). The resulting translation gains and

losses are included in other comprehensive income (OCI) with the cumulative gain or loss reported in accumulated other comprehensive income (AOCI).

When the Company disposes of its entire interest in a foreign operation or loses control or influence over a foreign operation, the foreign currency gains or losses in AOCI related to the foreign operation are recognized in income or loss.

Cash and Cash Equivalents
Cash includes cash on hand and current balances with banks and similar institutions, including money market mutual funds. They are readily convertible into known amounts of cash and have an insignificant risk of changes in value. Cost approximates fair value.

Restricted short-term Investments
Restricted short-term investments (guaranteed pledge to long-term debt) are held in highly liquid instruments such as guaranteed investment certificates or other securities, held primarily with Schedule 1 Canadian banks, with an original term to maturity of more than three months and remaining term to maturity of less than one year.

Inventories
Inventories include raw materials, work-in-process and finished goods. Raw materials are stated at the lower of cost and replacement cost with cost determined on a first-in, first-out basis. Manufactured inventory (finished goods and work-in-process) is valued at the lower of cost and net realizable value determined on a first-in, first-out basis. Manufactured inventory cost includes the cost of raw materials, direct labour, an allocation of overhead and the cost to acquire finished goods. The Company monitors the shelf life and expiry of finished goods to determine when inventory values are not recoverable and a write-down is necessary.

Property, Plant and Equipment
Property, plant and equipment (PP&E) is recorded at cost. The Company allocates the amount initially recognized in respect of an item of PP&E to its significant parts and amortizes separately each such part.

Depreciation of PP&E is provided for over the estimated useful lives from the date the assets become available for use as follows:

Buildings	10 to 25 years	Straight line
Leasehold improvements	Term of lease	Straight line
Furniture and fixtures	5 years	Straight line
Computer equipment and software	1 to 3 years	Straight line
Production, laboratory and other equipment	3 to 5 years	Straight line

Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Intangible Assets
Intangible assets acquired in a business combination are recognized separately from goodwill at their fair value at the date of acquisition, which is considered to be cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Amortization commences when the intangible asset is available for use and for patented assets is computed on a straight-line basis over the intangible asset's estimated useful life, which cannot exceed the lesser of the remaining patent life and 20 years. The estimated useful lives are as follows:

Product brands and formulations	10 to 20 years	Straight line
Customer relationships	10 years	Straight line
License agreement	10 years	Straight line

Impairment of Financial Assets
At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss. For financial assets carried at amortized cost, the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying value of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment of Non-financial Assets
For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are largely independent cash flows. CGUs to which goodwill has been allocated are tested for impairment at least annually. For all other individual assets or CGUs, the Company reviews the carrying value of non-financial assets for potential impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount.

With the exception of goodwill, a previously recognized impairment loss is reversed if there are indications that the impairment loss may no longer exist. If this is the case, the carrying amount of the asset is increased to its recoverable amount, but cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. An impairment reversal is recognized as other income.

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating leases.

Financial Instruments
All financial instruments are classified into one of the following five categories: fair value through profit or loss (FVTPL), held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the Consolidated Statements of Financial Position and are measured at fair market value upon inception. Subsequent measurement and recognition of changes in the fair value of financial instruments depends on their initial classification. FVTPL financial instruments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in OCI until the asset is removed from the Consolidated Statements of Financial Position. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, impairment write-downs and foreign exchange translation adjustments are recognized immediately.

The Company classifies its financial instruments as follows:

- Cash, short-term investments and accounts receivable are classified as loans and receivables and are measured at amortized cost. Interest income is recorded in net income (loss), as applicable.
- Accounts payable and accrued liabilities, long-term debt and other long-term obligations are classified as other financial liabilities and are measured at amortized cost using the effective interest method. Interest expense is recorded in net income (loss), as applicable.

Financing costs associated with the issuance of debt are netted against the related debt and are deferred and amortized over the term of the related debt using the effective interest method.

Comprehensive Income (Loss)
Comprehensive income (loss) is the change in equity from transactions and other events and circumstances from non-shareholder sources. OCI (loss) refers to items recognized in comprehensive income (loss), but that are excluded from net income (loss) calculated in accordance with IFRS. The resulting changes from translating the financial statements of foreign operations to the Company's presentation currency, which is the Canadian dollar, are recognized in comprehensive income (loss) for the year.

Revenue Recognition
The Company recognizes revenue from product sales, royalties and service agreements.

Product Sales
Revenue from product sales is recognized upon shipment of the product to the customer, provided transfer of title to the customer occurs upon shipment and provided the Company has not retained any significant risks of ownership or future obligations with respect to the product shipped, the price is fixed and determinable and collection is reasonably assured. Where applicable, revenue from product sales is recognized net of reserves for estimated sales discounts and allowances, returns, rebates and chargebacks.

Royalties
Revenue arising from royalties is recognized when reasonable assurance exists regarding measurement and collectability. Royalties are typically calculated as a percentage of net sales realized by the Company's licensees of its products (including their sub-licensees), as specifically defined in each agreement. The licensees' sales generally consist of revenues from product sales of the Company's pharmaceutical products and net sales are determined by deducting the following: estimates for chargebacks, rebates, sales incentives and allowances, returns and losses and other customary deductions in each region where the Company has licensees. While the Company receives royalty payments quarterly, it can only recognize the amounts as revenue when reasonable assurance exists regarding measurement and collectability. Royalty revenue from the launch of a product in a new territory, for which the Company or its licensee are unable to develop the requisite historical data on which to base estimates of returns, may be deferred until such time that a reasonable estimate can be made and once the product has achieved market acceptance. Any royalty payments received or receivable in advance of when they would be recognized as revenue are recorded in deferred revenue.

Services Revenue
Revenues from contracted services are generally recognized as the contracted services are performed, and the related expenditures are incurred pursuant to the terms of the agreement and provided collectability is reasonably assured.

Licensing and Collaboration Arrangements
The Company may enter into licensing and collaboration agreements for product development, licensing, supply and distribution for its commercial products and product pipeline. The terms of the agreements may include non-refundable signing and licensing fees, milestone payments and royalties on any product sales derived from collaborations. These multiple element arrangements are analyzed to determine whether the deliverables can be separated or whether they must be accounted for as a single unit of accounting. License fees are recognized as revenue when persuasive evidence of an arrangement exists, the fee is fixed or determinable, delivery or performance has been substantially completed and collection is reasonably assured. If there are no substantive performance obligations over the life of the contract, the up-front non-refundable payment is recognized when the underlying performance obligation is satisfied. If substantive contractual obligations are satisfied over time or over the life of the contract, revenue may be deferred and recognized over the performance. The term over which upfront fees are recognized is revised if the period over which the Company maintains substantive contractual obligations changes.

Milestone payments are immediately recognized as licensing revenue when the condition is met, if the milestone is not a condition to future deliverables and collectability is reasonably assured. Otherwise, they are recognized over the remaining term of the agreement or the performance period.

Research and Development
Research costs are charged to operations as incurred. Expenditures on internally developed products are capitalized if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Company is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Development expenses are charged to operations as incurred unless such costs meet the criteria for deferral and amortization. No development costs have been deferred to-date.

Government Assistance
Government assistance received under incentive programs is accounted for using the cost reduction method; whereby, the assistance is netted against the related expense or capital expenditure to which it relates when there is reasonable assurance that the credits will be realized.

Government assistance received under reimbursement or funding programs are accounted for using the cost reduction method; whereby, a receivable is set up as the costs are incurred based on the terms of reimbursement or funding program and the expected recoveries are netted against the related expense.

Net Income or Loss Per Common Share
Basic net income or loss per common share is calculated using the weighted average number of common shares outstanding during the year. The shareholders of Nuvo received one common share of Crescita for one common share of Nuvo. Accordingly, the weighted average number of shares used for the period prior to the Arrangement is the weighted average number of common shares of Nuvo for the respective year.

Diluted net income or loss per common share is calculated assuming the weighted average number of common shares outstanding during the year is increased to include the number of additional common shares that would have been outstanding if the dilutive potential shares had been issued. The dilutive effect of warrants, stock options and performance share units is determined using the treasury-stock method. The treasury-stock method assumes that the proceeds from the exercise of warrants and options are used to purchase common shares at the volume weighted average market price during the year. The dilutive effect of convertible securities is determined using the "if-converted" method. The "if-converted" method assumes that the convertible securities are converted into common shares at the beginning of the period and all income charges related to the convertible securities are added back to income. Diluted loss per share has not been presented separately as the outstanding warrants, stock options and performance share units are anti-dilutive for each year presented.

Income Taxes
Current and deferred income taxes and income tax expense have been recorded in these Consolidated Financial Statements as though Crescita was a separate taxable entity, using a stand-alone taxpayer approach.

Income taxes on income or loss include current and deferred taxes. Income taxes are recognized in income or loss except to the extent that they relate to business combinations or items recognized directly in equity or in OCI. Current taxes are expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date and any adjustment to taxes payable in respect of previous years. The Company is subject to withholding taxes on certain forms of income earned under its in-licensing agreements from foreign jurisdictions.

Deferred tax is generally recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted in the relevant jurisdiction by the reporting date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability in the Consolidated Statements of Financial Position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries, branches and associates, and interests in joint ventures where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable the related tax benefit will be realized.

Share-based Compensation and Other Share-based Payments
Prior to the effective date of the Arrangement, certain employees of Crescita participated in Nuvo's share-based compensation plans. During that period, share-based compensation expense had been allocated to Crescita, primarily based on proportionate time spent on Crescita's and Nuvo's respective activities.

Nuvo's share-based compensation plans included the Nuvo Share Incentive Plan, the Nuvo Share Appreciation Rights (SARs) Plan and the Nuvo Deferred Share Unit (DSU) Plan. Under Nuvo's Share Incentive Plan, there were three sub-plans: the Nuvo Share Purchase Plan, the Nuvo Share Option Plan and the Nuvo Share Bonus Plan. Pursuant to the Arrangement, Crescita established its own share-based compensation plans: the Share Incentive Plan and the SARs Plan. Under the Crescita Share Incentive Plan, there are three sub-plans: the Share Purchase Plan, the Share Option Plan and the Share Bonus Plan.

Share Incentive Plan
The Company measures and recognizes compensation expense for the Share Incentive Plan based on the fair value of the common shares or options issued.

Under the Share Option Plan, the Company issues either fixed awards or performance-based options. Options vest either immediately upon grant or over a period of one to four years or upon the achievement of certain performance related measures or milestones. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period based on the number of awards expected to vest.

Under the Share Purchase Plan, the fair value of the Company's matching contribution, determined based upon the volume weighted average price (VWAP) of the Company's common shares, is recorded as compensation expense and is included in share-based compensation expense.

Under the Share Bonus Plan, the fair value of the direct award of common shares, determined based upon the trading price of the Company's common shares, is recorded as compensation expense and is included in share-based compensation expense.

Share Appreciation Rights Plan
SARs are issued to officers, employees or designated affiliates to provide incentive compensation based on the appreciation in value of the Company's common shares. Under the SARs Plan, participants receive, upon vesting, a cash amount equal to the difference between the SARs' fair market value and the grant price value, also known as the intrinsic value. Fair market value is determined by the closing price of the Company's common shares on the Toronto Stock Exchange (TSX) on the day preceding the exercise date. SARs vest in tranches prescribed at the grant date, and each tranche is considered a separate award with its own vesting period and fair value. Until SARs vest, compensation expense is measured based on the fair value of the SARs at the end of each reporting period, using the Black-Scholes option pricing model. The fair value of the liability is remeasured at the end of each reporting date and adjusted at the settlement date, when the intrinsic value is realized.

Nuvo Deferred Share Unit Plan
Under the Nuvo DSU Plan, Nuvo issued DSUs to employees based on their elected portion of quarterly earnings they wished to receive in units of the DSU Plan. DSUs were intended to be settled in cash. Upon issuance, the fair value of the DSUs was recorded as compensation expense and at all subsequent reporting dates, movements in fair value were charged or credited to compensation expense. Effective March 1, 2016, Crescita did not have a DSU Plan for directors or employees.

Net Investment
Nuvo's investment in the operations of Crescita is presented as Owner's Net Investment in these Consolidated Financial Statements. Owner's net investment represents capital invested, accumulated net earnings of the operations (less the accumulated net distributions to Nuvo).

Issuance Costs of Equity Instruments
The Company records issuance costs of equity instruments against the equity instrument that was issued.

Accounting Standards Adopted
There were no new accounting standards adopted by the Company during 2016.

Significant Accounting Policies
The policies applied in these Consolidated Financial Statements are based on IFRS issued and outstanding as at December 31, 2016.

Accounting Standards Issued But Not Yet Applied
Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or the IFRS Interpretations Committee (IFRIC) that are not yet effective and have not yet been early adopted by the Company. The standards impacted that may be applicable to the Company are as follows:

IFRS 9 - *Financial Instruments*
In July 2014, the IASB issued IFRS 9 - *Financial Instruments* (IFRS 9), which will replace IAS 39 - *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 establishes principles for

the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company's interim and annual Consolidated Financial Statements commencing January 1, 2018. The Company is in the process of reviewing the standard to determine the impact on the Consolidated Financial Statements. The Company will provide further updates during the course of 2017 as it advances in its assessment.

IFRS 15 - *Revenue from Contracts with Customers*
In May 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers* (IFRS 15), which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Entities will transition following either a full or modified retrospective approach. The Company is in the process of reviewing the standard to determine the impact on the Consolidated Financial Statements. The Company will provide further updates, during the course of 2017, as it advances in its assessment.

IFRS 16 - *Leases*
In January 2016, the IASB issued IFRS 16 - *Leases* (IFRS 16), its new leases standard that requires lessees to recognize assets and liabilities for most leases on their balance sheets. Lessees applying IFRS 16 will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The new standard will be effective from January 1, 2019 with limited early application permitted. The Company is in the process of reviewing the standard to determine the impact on the Consolidated Financial Statements.

Amendments to IFRS 2 - *Share-based Payments*
In June 2016, the IASB issued amendments to IFRS 2 - *Share-based Payments* (IFRS 2), clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification from cash settled to equity settled. The amendments to IFRS 2 are effective prospectively for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently in the process of reviewing the standard to determine the impact on the Consolidated Financial Statements. The Company will provide further updates, during the course of 2017, as it advances in its assessment.

5. ACQUISITION OF INTEGA

On September 1, 2016, the Company acquired 100% of the equity of INTEGA, a private company located in Laval, Québec that develops, manufactures, sells and markets science-based quality non-prescription skincare products. The Company's management and Board of Directors made the decision to pursue a strategy to transform Crescita into a dermatology company with an emphasis on commercially advanced non-prescription skincare markets and prescription drug products. This strategy would allow Crescita to leverage its skin penetration technology, as well as approved topical products and to mitigate risks by pursuing already approved products in the non-prescription skincare market.

Assets Acquired and Liabilities Assumed
The estimated fair values of the identifiable assets and liabilities of INTEGA as at September 1, 2016 (the date of the acquisition) were:

	Fair value recognized on acquisition
	$
ASSETS	
Cash and cash equivalents	316
Accounts receivable	976
Inventory	3,499
Prepaid expenses	103
Property, plant and equipment	733
Intangible assets	10,140
Total assets	15,767
LIABILITIES	
Accounts payable and accrued liabilities	3,176
Long-term debt	8,303
Deferred income tax liabilities	2,097
Other liabilities	1,953
Total liabilities	15,529
Total identifiable net assets at fair value	238
Goodwill arising on acquisition	7,997
PURCHASE CONSIDERATION TRANSFERRED	8,235

The fair value of the accounts receivables of $1.0 million is net of a provision.

The acquisition is accounted for in accordance with the acquisition method of accounting. The excess of purchase price over estimated fair values of assets acquired and liabilities assumed has been recognized as goodwill at the acquisition date of September 1, 2016. The goodwill of $8.0 million comprises the value of expected synergies arising from the acquisition and the assembled workforce, which is not separately recognized. None of the goodwill recognized is expected to be deductible for income tax purposes.

The Company has not yet finalized the purchase price allocation, including goodwill, and therefore, the information disclosed above for identifiable net assets acquired is subject to fair valuation changes.

From the date of acquisition, INTEGA contributed $3.0 million of revenue and $1.6 million to loss before income taxes from continuing operations of the Company.

	$
PURCHASE CONSIDERATION	
Base Consideration – Initial Payment (Note 13)	3,988
Base Consideration – Future Payment (Note 13)	779
Warrants (Note 14)	211
Bridge loan repayments	3,060
Milestone Payments (Note 12)	197
PURCHASE CONSIDERATION TRANSFERRED	8,235

The aggregate purchase price paid by the Company for 100% of INTEGA's equity consists of the following:

- The issuance of 2,402,314 Crescita common shares on closing (Base Consideration – Initial Payment).
- Management estimates that 469,473 Crescita common shares could be issued within 30 days following Crescita's next annual shareholders meeting (AGM), which is expected to be held in the second quarter of 2017 (Base Consideration – Future Payment). In lieu of issuing these shares, Crescita shareholders can elect to make a cash payment equal to 469,473 Crescita common shares multiplied by the greater of (i)

$2.4375, and (ii) the five trading-day volume-weighted average closing price of Crescita's common shares on the TSX ending on the last trading day prior to the date of Crescita's AGM.

- On closing, the issuance of 457,986 common share purchase warrants in exchange for INTEGA's outstanding warrants, each of which permits the holder thereof to acquire one Crescita common share at a price of $2.44 per share.
- On closing, the repayment by the Company of $3.1 million in bridge loans held by INTEGA.
- Up to an additional $2.0 million in milestones if certain financial targets (Milestones) are achieved by INTEGA in 2016 and 2017. Each of the two $1.0 million milestone payments is payable in cash or Crescita common shares at the option of the Company (Milestone Payments). The conditions of the first milestone payment based on 2016 financial performance were not met and the first potential $1.0 million payment will not be paid.

The fair value of Crescita common shares related to the Base Consideration is calculated with reference to the quoted price of the shares of the Company at the date of acquisition, which is $1.66 per share.

The value of the warrants included in purchase consideration represents the fair value of the Crescita warrants, calculated at the acquisition date using the Black-Scholes model (see Note 14, *Share-based Compensation and Other Share-based Payments*).

Analysis of cash flows on September 1, 2016 (the date of the acquisition):

	$
Repayment of bridge loans (included in cash flows from investing activities)	(3,060)
Transaction costs of the acquisition (included in cash flows from operating activities)	(875)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	316
NET CASH FLOW ON ACQUISITION	(3,619)

Transaction costs totalling $1.8 million were expensed for the year and are included in selling, general and administrative (SG&A) expenses.

Contingent Consideration

The Milestone Payments under the purchase agreement represent contingent consideration. Additional payments of $2.0 million to the previous owners of INTEGA may be made if the Company meets certain Milestones from the date of acquisition through to December 31, 2017. As at the acquisition date, the fair value of the contingent consideration was estimated to be $0.2 million based on management's best estimate of the probability of achieving the Milestones, using a discount rate of 15%.

A significant increase (decrease) in the probability of achieving a milestone would result in a higher (lower) fair value of the contingent consideration liability, while a significant increase (decrease) in the discount rate would result in a lower (higher) fair value of the liability. As at December 31, 2016, management has determined that the conditions of the first milestone payment, based on 2016 financial performance were not met and the first potential $1.0 million payment will not be paid. The fair value of the Milestone Payments decreased by $0.1 million since September 1, 2016 and the changes are reflected in the results of operations for the year.

6. DISCONTINUED OPERATIONS

The Company has historically reported two operating segments: TPT Group and Immunology Group. During the year ended December 31, 2016, the Company discontinued the operations of the Immunology Group.

On July 11, 2016, the Company sold its German manufacturing operation that produces the active ingredient in WF10™ and Oxoferin™ and the intellectual property related to WF10 to Dr. Kuehne, the inventor of WF10, for nominal proceeds. The net assets for the manufacturing plant as at the date of the sale were $0.1 million. In addition, under the terms of the agreement, the balance of Dr. Kuehne's consulting fees (see Note 12, *Other Obligations*) was paid in full. During the second half of 2016, the Company commenced the wind-down of the Immunology Group operations and expects this process to be completed by early 2018.

Operating results have been restated to reflect the Immunology Group as a discontinued operation. Accordingly, the Immunology Group is no longer presented in Note 22, *Segmented Information*.

The following table presents the effect of the discontinued operations in the Consolidated Statements of Loss and Comprehensive Loss:

	December 31, 2016	December 31, 2015
	$	$
REVENUE		
Product sales	**189**	629
Services revenue	**4**	-
Total revenue	**193**	629
OPERATING EXPENSES		
Cost of goods sold	**658**	501
Research and development expenses	**1,444**	7,540
Selling, general and administrative expenses	**200**	554
Total operating expenses	**2,302**	8,595
OTHER INCOME		
Foreign currency loss (gain)	**(9)**	17
Impairment of property, plant and equipment (Note 9)	**27**	-
Loss on disposal	**119**	-
NET LOSS FROM DISCONTINUED OPERATIONS	**(2,246)**	(7,983)
Net loss from discontinued operations per common share –		
- basic and diluted	**(0.18)**	(0.73)
Average number of common shares outstanding (in thousands)		
- basic and diluted	**12,251**	10,926

The following table presents the effect of the discontinued operations in the Consolidated Statements of Cash Flows:

	Year Ended December 31, 2016	Year Ended December 31, 2015
	$	$
Cash used in operating activities	**(2,747)**	(7,393)
Cash used in investing activities	**-**	-
Cash used in financing activities	**-**	-
Net cash outflow	**(2,747)**	(7,393)

7. INVENTORIES

Inventories consist of the following as at:

	December 31, 2016	December 31, 2015
	$	$
Raw materials	**1,332**	30
Work-in-process	**422**	209
Finished goods	**1,228**	135
	2,982	374

During the year ended December 31, 2016, inventories in the amount of $1.2 million [December 31, 2015 - $nil] were recognized in cost of goods sold.

During the year ended December 31, 2016, $0.1 million of finished goods related to continuing operations [December 31, 2015 - $nil] were written down. There were no reversals of prior write-downs during the years ended December 31, 2016 and 2015.

8. OTHER CURRENT ASSETS

Other current assets consisted of the following as at:

	December 31, 2016	December 31, 2015
	$	$
Deposits[(i)]	**298**	2
Other receivables	**592**	59
Research and development supplies	**74**	-
Prepaid expenses	**389**	-
	1,353	61

(i) As at December 31, 2016, deposits included $0.2 million pledged as security for the corporate office lease and $0.1 million pledged as security for corporate credit cards.

9. PROPERTY, PLANT AND EQUIPMENT

PP&E consists of the following as at:

	Buildings	**Leasehold Improvements**	**Furniture and Fixtures**	**Computer Equipment and Software**	**Production Laboratory and Other Equipment**	**Total**
Cost	**$**	**$**	**$**	**$**	**$**	**$**
Balance, December 31, 2014	858	113	212	881	282	2,346
Foreign exchange movements	61	-	4	4	23	92
Additions	-	-	-	21	2	23
Balance, December 31, 2015	919	113	216	906	307	2,461
Foreign exchange movements	(18)	-	(1)	(1)	(5)	(25)
Net transfers from Nuvo[(i)]	-	-	-	(3)	692	689
Acquired in INTEGA acquisition (Note 5)	-	333	28	276	96	733
Additions	-	33	-	89	1	123
Disposals[(iii)]	(901)	-	(59)	(62)	(337)	(1,359)
Balance, December 31, 2016	**-**	**479**	**184**	**1,205**	**754**	**2,622**
Accumulated depreciation						
Balance, December 31, 2014	858	113	211	835	239	2,256
Foreign exchange movements	61	-	4	3	20	88
Depreciation expense	-	-	1	20	16	37
Balance, December 31, 2015	919	113	216	858	275	2,381
Foreign exchange movements	(18)	-	(1)	(1)	(5)	(25)
Net transfers from Nuvo[(i)]	-	-	-	-	671	671
Depreciation expense	-	22	2	58	35	117
Impairment charge[(ii)]	-	-	-	18	9	27
Disposals[(iii)]	(901)	-	(59)	(62)	(337)	(1,359)
Balance, December 31, 2016	**-**	**135**	**158**	**871**	**648**	**1,812**
Net book value as at December 31, 2015	-	-	-	48	32	80
Net book value as at December 31, 2016	**-**	**344**	**26**	**334**	**106**	**810**

(i) Net transfers from Nuvo included assets attributable to Nuvo's drug development business transferred to Crescita as per the Arrangement.

(ii) In the first quarter of 2016, following the decision to initiate a divestiture or orderly wind-down of the Immunology Group, the Company recognized an impairment charge of PP&E of the Immunology Group in the amount of $27 (€18).

(iii) Disposals included PP&E transferred as part of the sale of the German manufacturing operation that occurred on July 11, 2016, as well as assets disposed by way of the orderly wind-down of the Immunology Group.

10. INTANGIBLE ASSETS

Intangible assets consist of the following as at:

	Product Brands and Formulations	Customer Relationships	License Agreement	Total
Cost	**$**	**$**	**$**	**$**
Balance, December 31, 2015	-	-	-	-
Acquired in INTEGA acquisition (Note 5)	6,740	3,050	350	10,140
Balance, December 31, 2016	**6,740**	**3,050**	**350**	**10,140**
Accumulated amortization				
Balance, December 31, 2015	-	-	-	-
Amortization expense	187	102	12	301
Balance, December 31, 2016	**187**	**102**	**12**	**301**
Net book value as at December 31, 2015	-	-	-	-
Net book value as at December 31, 2016	**6,553**	**2,948**	**338**	**9,839**

11. LONG-TERM DEBT

Long-term debt consists of the following as at:

	December 31, 2016	December 31, 2015
	$	$
Knight Loan – principal	**6,841**	-
Knight Loan – unamortized premium	**1,323**	-
	8,164	-
Less current portion	**723**	-
Long-term balance	**7,441**	-

On September 1, 2016, concurrent with the Company's acquisition of INTEGA, INTEGA entered into an amended and restated loan agreement (Knight Loan) with Knight Therapeutics Inc. (Knight) in which Crescita acts as the guarantor, supported by a letter of credit in the amount of $8.6 million, providing an irrevocable right of payment to Knight in the event of default. In addition to the letter of credit, Crescita also entered into a cash collateral agreement for the amount of the letter of credit. These restricted funds are held as short-term investments and redeemable within one year. The loan was recorded at fair value upon initial measurement and subsequently accounted for at amortized cost using the effective interest method.

Principal payments commence January 1, 2017 and the loan matures on December 31, 2021. However, in the event certain financial covenants are not met, Knight has the option to advance the maturity date by one year to December 31, 2020. This option, if available, must be exercised by March 1, 2019.

The loan bears interest at a rate of 9% per year, compounded on a monthly basis. However, if the 1-year LIBOR rate plus 6% exceeds 9% at any interest payment date, interest for that month will be calculated using the 1-year LIBOR rate plus 6% instead of 9%.

At the date of the acquisition, the fair value of the loan was $8.3 million, which represented a premium of $1.5 million. Amortization for the year ended December 31, 2016 represented $0.1 million.

12. OTHER OBLIGATIONS

Other obligations consist of the following as at:

	December 31, 2016	December 31, 2015
	$	$
Payable relating to a previous acquisition by INTEGA [(i)]	**1,972**	**-**
Contingent Milestone Payments relating to the acquisition of INTEGA (Note 5)	**63**	**-**
Long-term consulting agreement from acquisition of non-controlling interest [(ii)]	**-**	225
	2,035	225
Less current portion	**1,000**	190
Long-term balance	**1,035**	35

[(i)] The amounts owing include the payments of $1.0 million on each of January 22, 2017 and 2018. On the date of the acquisition of INTEGA, the fair value of these payments was determined to be $2.0 million.

[(ii)] In December 2011, the Company increased its ownership in Nuvo Research AG to 100% by acquiring the 40% interest held by the minority owner. The consideration transferred to the non-controlling interest included a five-year, US$150 per annum consulting agreement with the former minority shareholder, discounted at 15.5% and fair valued at US$519 ($528). The Company paid this obligation in full as part of the terms of the sale of its German manufacturing operation (see Note 6, *Discontinued Operations*) in July 2016.

13. SHARE CAPITAL

Authorized

- Unlimited common shares, voting, without par value
- Unlimited first and second preferred shares, non-voting, non-participating, issuable in series, number, designation, rights, privileges, restrictions and conditions are determinable by the Company's Board of Directors

Issued and Outstanding

In connection with the Reorganization of Nuvo into two separate publicly traded companies and under the terms of the Arrangement (see Note 1, *Corporate Information*), each Nuvo share certificate existing on March 1, 2016 became a common share of Nuvo and the right to receive a Crescita common share.

The following table summarizes Crescita's outstanding common shares:

	Number	Amount
	000s	**$**
Balance, December 31, 2015	-	-
Issued pursuant to the Arrangement	11,487	51,613
Issued on acquisition – initial payment (Note 5)	2,402	3,988
Issued upon option exercise	46	45
Outstanding shares balance, December 31, 2016	**13,935**	**55,646**
Future shares to be issued as consideration (Note 5)	470	779
	14,405	**56,425**

An additional 469,473 common shares, valued at $0.8 million, are to be issued in 2017 as consideration for the acquisition of INTEGA (see Note 5, *Acquisition of INTEGA*).

The amount of Nuvo's net investment in Crescita at the effective date of the Arrangement was reclassified to share capital and deficit. To determine Crescita's share capital amount, Nuvo's stated capital immediately prior to the Arrangement was split based on the Butterfly Proportion of the Nuvo and Crescita common shares at the effective date of the Arrangement. Crescita's share capital amount was deducted from Nuvo's net investment and the remaining $19.4 million was recognized as deficit.

The Butterfly Proportion was determined to be 78.18% for Nuvo and 21.82% for Crescita. The Butterfly Proportion is based on the VWAP of the Crescita common shares and the Post-Arrangement Nuvo common shares during the five-trading days during the period from March 7 to March 11.

14. SHARE-BASED COMPENSATION AND OTHER SHARE-BASED PAYMENTS

Prior to the effective date of the Arrangement, certain employees of Crescita participated in Nuvo's share-based compensation plans. During that period, share-based compensation expense had been allocated to Crescita primarily based on proportionate time spent on Crescita's and Nuvo's respective activities.

Nuvo's share-based compensation plans included the Nuvo Share Incentive Plan, the Nuvo Share Appreciation Rights Plan and the Nuvo DSU Plan. Under Nuvo's Share Incentive Plan, there were three sub-plans: the Nuvo Share Purchase Plan, the Nuvo Share Option Plan and the Nuvo Share Bonus Plan.

As part of the Arrangement, Crescita established its own share-based compensation plans: the Share Incentive Plan and the SARs Plan. Under the Crescita Share Incentive Plan, there are three sub-plans: the Share Purchase Plan, the Share Option Plan and the Share Bonus Plan.

The following is a summary of share-based compensation activity for the years ended December 31, 2016 and 2015:

Share Incentive Plan
Under the Company's Share Incentive Plan, there are three sub-plans: the Share Option Plan, the Share Purchase Plan and the Share Bonus Plan. The maximum number of common shares that may be issued under the Share Incentive Plan is 15% of the total number of outstanding common shares from time-to-time. The common shares that may be issued under the plan are allocated to the three sub-plans as follows: the Share Option Plan 10%, the Share Purchase Plan 3% and the Share Bonus Plan 2%. This allocation of the maximum percentage among the three sub-plans shall be determined by the Board of Directors (or a committee thereof) from time-to-time (provided that the maximum number of common shares that may be issued under the Share Bonus Plan shall not exceed a fixed number of common shares equal to 3% of the number of common shares outstanding immediately following the Arrangement, which is 344,615).

As the Share Incentive Plan is a "rolling plan", the TSX requires that it, along with any unallocated options, rights or other entitlements, receive shareholder approval at the Company's annual shareholders meeting every three years. At the Special Meeting of Shareholders of Nuvo held on February 18, 2016, the common shareholders approved an ordinary resolution affirming, ratifying and approving the Crescita Share Incentive Plan and approving all of the unallocated common shares issuable pursuant to the Share Incentive Plan. As at December 31, 2016, the number of common shares available for issuance under the Share Incentive Plan was 736,756.

Share Option Plan
Under the Nuvo Share Option Plan, Nuvo granted options to purchase common shares to officers, directors, employees or consultants of Nuvo or its affiliates. Options issued under the Share Option Plan were granted for a term not exceeding ten years from the date of grant. All options issued to-date have a life of ten years. In general, options have vested either immediately upon grant or over a period of one to four years or upon the achievement of certain performance-related measures or milestones. Under the provisions of the Share Option Plan, the exercise price of all stock options shall not be less than the closing price of the common shares on the last trading date immediately preceding the grant date of the option.

The following is a schedule of Nuvo's options outstanding immediately prior to the effective date of the Arrangement:

	Number of Options	Range of Exercise Price	Weighted Average Exercise Price
	000s	$	$
Balance, December 31, 2015	751	1.96 - 24.05	6.18
Balance, February 29, 2016	751	1.96 - 24.05	6.18

Pursuant to the Arrangement, each Nuvo stock option issued and outstanding at the effective date of the Arrangement was exchanged for one Post-Arrangement stock option issued by Nuvo and one Post-Arrangement stock option issued by Crescita. There was no incremental fair value associated with the replacement stock options.

The exercise price of each Post-Arrangement stock option issued by Crescita was determined by allocating the exercise price of the original Nuvo stock option between the Post-Arrangement stock option issued by Nuvo and the Post-Arrangement stock option issued by Crescita based on the relative fair market values of the Nuvo and Crescita common shares at the effective date of the Arrangement. The relative fair market value was determined using the Butterfly Proportion (see Note 13, *Share Capital*). The vesting schedule and the term that each Post-Arrangement stock option issued by Crescita may be exercised remains the same as the original Nuvo stock option it was exchanged for.

The following is a schedule of Crescita's options outstanding as at:

	Number of Options 000s	Range of Exercise Price $	Weighted Average Exercise Price $
Balance, February 29, 2016	-	-	-
Issued on Reorganization	751	0.43 - 5.25	1.35
Granted	1,026	1.23 - 1.83	1.64
Forfeited	(352)	0.74 - 1.83	1.64
Expired	(26)	0.43 - 5.25	1.58
Exercised	(46)	0.43 - 1.42	0.97
Balance, December 31, 2016	**1,353**	0.43 – 5.53	**1.51**

The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Options are valued with a calculated forfeiture rate of 7.0% [December 31, 2015 - 7.0%], and the remaining model inputs for options granted during the year ended December 31, 2016 were:

Options 000s	Grant Date	Share Price $	Exercise Price $	Risk-free Interest Rate %	Expected Life years	Volatility Factor %	Fair Values $
850	May 16, 2016	1.63	1.63	0.67 - 0.80	2 - 5	102 - 131	1.04 - 1.20
128	September 6, 2016	1.83	1.83	0.57 - 0.60	2 - 5	101 - 147	1.04 - 1.31
18	September 29, 2016	1.68	1.65	0.57 - 0.60	1 - 3	106 - 129	1.08 - 1.20
30	December 20, 2016	1.23	1.23	0.69	1 - 3	114 - 171	0.74 - 0.83

The following table summarizes the outstanding and exercisable Crescita options held by directors, officers, employees and consultants as at December 31, 2016:

	Outstanding			Exercisable	
Exercise Price Range $	Number of Options 000s	Remaining Contractual Life years	Weighted Average Exercise Price $	Vested Options 000s	Weighted Average Exercise Price $
0.43 - 0.74	244	7.3	0.66	159	0.60
1.21 - 1.42	216	5.6	1.33	197	1.35
1.63 - 1.91	843	7.6	1.70	188	1.89
3.12 - 3.55	50	3.2	3.16	49	3.16
	1,353	**7.0**	**1.51**	**593**	**1.47**

Share Purchase Plan

Under the Share Purchase Plan, eligible officers, employees or consultants of Crescita or its affiliates may contribute up to 10% of their annual base salary to the plan to purchase Crescita common shares. Crescita matches each participant's contribution by issuing Crescita common shares having a value equal to the aggregate amount contributed by each participating employee.

During 2016, Crescita's employees did not make any contributions to the Share Purchase Plan.

Share Appreciation Rights Plan

On October 30, 2013, Nuvo established the Nuvo SARs Plan for officers, employees or designated affiliates to provide incentive compensation based on the appreciation in value of Nuvo's common shares. Under the Nuvo SARs Plan, participants received, upon vesting, a cash amount equal to the difference between the SARs' fair market value and the grant price value, also known as the intrinsic value. Fair market value is determined by the closing price of Nuvo's common shares on the TSX on the day preceding the exercise date. SARs vested in tranches prescribed at the grant date and each tranche was considered a separate award with its own vesting period and grant date fair value. Until SARs vested, compensation expense was measured based on the fair value of the SARs at the end of each reporting period, using the Black-Scholes option pricing model. The fair value of the liability was revalued at the end of each reporting date and adjusted at the settlement date, when the intrinsic value was realized.

The following is a schedule of Nuvo's SARs immediately prior to the effective date of the Arrangement:

	Number of SARs 000s	Fair Values $	Accrual $
Balance, December 31, 2015	788	0.00 – 3.45	1,328
Vested	(293)	0.00 – 3.36	(654)
Adjustment to market value	-	-	255
Balance, February 29, 2016	**495**	**0.72 – 4.47**	**929**

Pursuant to the Arrangement, each Nuvo SAR issued and outstanding at the effective date of the Arrangement was exchanged for one Post-Arrangement SAR issued by Nuvo and one Post-Arrangement SAR issued by Crescita. The exchange of these SARs has been accounted for as a modification. There is no incremental fair value associated with the replacement SARs. The liability existing at the effective date of the Arrangement was allocated between Nuvo and Crescita based on the Butterfly Proportion (see Note 13, *Share Capital*). In addition, to the extent the holder of a replacement Crescita SAR did not have a Post-Arrangement service requirement to Crescita, the portion of the compensation relating to the award that was unamortized at the effective date of the Arrangement was immediately recognized as a charge to income.

The exercise price of each Post-Arrangement SAR issued by Crescita was determined by allocating the exercise price of the original Nuvo SAR between the Post-Arrangement SAR issued by Nuvo and the Post-Arrangement SAR issued by Crescita based on the relative fair market values of the Nuvo and Crescita common shares at the effective date of the Arrangement, using the Butterfly Proportion (see Note 13, *Share Capital*). The vesting schedule and the term of each Post-Arrangement SAR issued by Crescita may be exercised remains the same as the original Nuvo SAR it was exchanged for. The shareholders of Nuvo approved a resolution on February 18, 2016 to allow SARs to be equity-settled.

The following is a schedule of Crescita's SARs as at December 31, 2016:

	Number of SARs 000s	Fair Values $	Accrual $
Balance, February 29, 2016	-	-	-
Issued on Reorganization	495	0.16 - 0.98	203
Cancelled [(i)]	(20)	0.77 - 1.46	(25)
Settled [(i)]	(58)	0.77 - 1.46	(57)
Adjustment to market value	-	-	108
Balance, December 31, 2016[(i)]	**417**	**0.00 - 0.81**	**229**

[(i)] During the year ended December 31, 2016, a SARs plan participant resigned from the Company. As a result, 58,480 SARs were settled and 19,566 SARs were cancelled.

As at December 31, 2016, a SARs accrual of $0.2 million was included in Crescita's accounts payable and accrued liabilities [December 31, 2015 - $0.6 million].

Fair values of each tranche issued and outstanding as at December 31, 2016 were measured using the Black-Scholes option pricing model with the following inputs:

SARs Outstanding 000s	Grant Date	Exercise Price $	Risk-free Interest Rate %	Expected Life years	Volatility Factor %	Fair Values $
128	October 30, 2013	0.41	0.69	1	167	0.77
134	April 4, 2014	0.74	0.69	1 - 2	167	0.44 - 0.81
155	January 7, 2015	1.58	0.69	1 - 3	127 - 167	0 - 0.68

Warrants

On September 1, 2016, as partial consideration for the acquisition of INTEGA, the Company issued 457,986 common share purchase warrants in exchange for INTEGA's outstanding warrants. Each warrant permits the holder thereof to acquire one Crescita common share at a price of $2.44 per share at any time prior to its expiration date.

The following is a schedule of Crescita's warrants outstanding:

	Number of Warrants 000s	Range of Exercise Price $	Weighted Average Exercise Price $
Balance, February 29, 2016	-	-	-
Granted	458	2.44	2.44
Balance, December 31, 2016	**458**	2.44	**2.44**

The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. The model inputs for warrants granted during the year ended December 31, 2016 were as follows:

Options 000s	Grant Date	Share Price $	Exercise Price $	Risk-free Interest Rate %	Expected Life years	Volatility Factor %	Fair Values $
293	September 1, 2016	1.66	2.44	0.97	7	42.5	0.56
165	September 1, 2016	1.66	2.44	0.76	3	42.5	0.28

Nuvo Deferred Share Unit Plan

Effective March 1, 2016, Crescita does not have a DSU Plan for directors or employees.

Directors

Under Nuvo's DSU Plan, non-employee directors could be allotted and elect to receive a portion of their annual retainers and other Board-related compensation in the form of DSUs. One DSU had a cash value equal to the market price of one of Nuvo's common shares and the number of DSUs issued to a director's DSU account for any payment was determined using the five-day VWAP of Nuvo's common shares immediately preceding the payment date.

Employees

Under Nuvo's employee DSU Plan, employees could elect to have a portion of their quarterly earnings issued in units of the DSU Plan. Consistent with non-employee directors, one DSU had a cash value equal to the market price of one of Nuvo's common shares. The number of units to be credited to an employee was calculated by dividing the elected portion of the compensation payable to the employee by the five-day VWAP of Nuvo's common shares immediately preceding the close of each quarter.

Upon issuance, the fair value of the DSUs was recorded as compensation expense and the DSU accrual was established. At all subsequent reporting dates, the DSU accrual was adjusted to the market value of the underlying shares and the adjustment was recorded as compensation cost. Within a specified time after retirement or termination, employees would receive a cash payment equal to the market value of their DSUs.

Each DSU issued and outstanding at the effective date of the Arrangement was exchanged for a Nuvo common share. This exchange occurred immediately prior to the indirect exchange of each Nuvo common share for one

Post-Arrangement Nuvo common share and one Crescita common share. All DSUs were fully vested at the effective date of the Arrangement.

Prior to the Arrangement, all costs related to the DSU Plans were allocations from Nuvo and the portion of Nuvo's liability related to Crescita was recorded in accounts payable and accrued liabilities [December 31, 2015 - $526].

Summary of Share-based Compensation

Prior to March 1, 2016, Nuvo's corporate costs allocated to the Company included an amount representing share-based compensation expense. These allocated amounts are included in the following summary of Crescita's share-based compensation expense:

	Year ended December 31, 2016	Year ended December 31, 2015
	$	$
Stock option compensation expense	**177**	109
Shares issued to employees under Share Purchase Plan	**-**	12
DSUs – adjustment to market value	**111**	(181)
SARs compensation expense	**232**	188
Share-based compensation expense	**520**	128
Recorded in the Consolidated Statements of Loss and Comprehensive Loss as follows:		
Research and development expenses	**119**	78
Selling, general and administrative expenses	**401**	50
Share-based compensation expense	**520**	128

Share-based compensation expense allocated from Nuvo totalled $0.3 million for the period from January 1, 2016 to February 29, 2016.

15. NET LOSS PER COMMON SHARE

The following table presents the maximum number of shares that would be outstanding if all dilutive and potentially dilutive instruments were exercised or converted as at:

	Year ended December 31, 2016	Year ended December 31, 2015
	000s	000s
Common shares issued and outstanding (Note 13)	**13,935**	11,145
Stock options outstanding (Note 14)	**1,354**	751
SARs liability[(i)] (Note 14)	**417**	-
Warrants (Note 14)	**458**	65
	16,164	11,961

[(i)] The shareholders of Nuvo approved a resolution on February 18, 2016 to allow SARs to be equity settled.

Under the terms of the Arrangement (see Note 2, *Basis of Presentation*), Crescita issued 11.5 million common shares on March 1, 2016. Prior to the Arrangement, the Company used Nuvo's weighted average number of common shares outstanding to compute net loss per common share.

16. EXPENSES BY NATURE

The Consolidated Statements of Loss and Comprehensive Loss include the following expenses by nature:

(a) Employee costs from continuing operations:

	Year ended December 31, 2016	Year ended December 31, 2015
	$	$
Short-term employee wages, bonuses and benefits	**4,820**	2,994
Share-based payments (Note 14)	**520**	32
Post-employment benefits	**25**	26
Termination benefits	**590**	107
Total employee costs	**5,955**	3,159
Included in:		
Cost of goods sold	**303**	-
Research and development expenses	**1,197**	1,076
Selling, general and administrative expenses	**4,455**	2,083
Total employee costs	**5,955**	3,159

(b) Depreciation and amortization from continuing operations:

	Year ended December 31, 2016	Year ended December 31, 2015
	$	$
Selling, general and administrative expenses [(i)]	**382**	13
Total depreciation and amortization	**382**	13

[(i)] SG&A expenses included $301 of amortization of intangible assets for the year ended December 31, 2016 [December 31, 2015 - $nil].

17. NET CHANGE IN NON-CASH WORKING CAPITAL

The net change in non-cash working capital consisted of the following:

	Year ended December 31, 2016	Year ended December 31, 2015
	$	$
Accounts receivable	**(508)**	75
Inventories	**460**	(66)
Other current assets	**(1,226)**	383
Accounts payable and accrued liabilities	**(1,376)**	773
Net change in non-cash working capital	**(2,650)**	1,165

18. INCOME TAXES

Deferred Tax Assets and Liabilities

(a) Recognized deferred tax assets (liabilities)

	Year Ended December 31, 2016	Year Ended December 31, 2015
	$	$
Canadian non-capital loss carryforwards	**1,847**	-
Canadian property plant and equipment	**(41)**	-
Long-term debt	**351**	-
Share Issuance costs	**49**	-
Inventory	**(100)**	-
Intangible assets	**(2,106)**	-
Net deferred tax asset (liability)	**-**	-

(b) Unrecognized deductible temporary differences

Deferred income taxes represent the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following represents deductible temporary differences that have not been recognized in these Consolidated Financial Statements:

	Year Ended December 31, 2016	Year Ended December 31, 2015
	$	$
U.S. Non-capital loss carryforwards	**41,476**	39,725
U.S. federal and state research and development credits	**4,602**	4,743
Unrealized foreign exchange loss on account of capital	**705**	-
Canadian Non-capital loss carryforwards	**10,072**	-
Tax basis of property, plant and equipment and intangible assets in excess of (less than) accounting value	**2,871**	54
Deductible temporary differences not recognized	**59,726**	44,522

The purchase price allocation on the INTEGA Acquisition (Note 5, *Acquisition of INTEGA*) resulted in intangible assets of $10.1 million which are not deductible for income tax purposes. Intangible assets consists of customer relationships, product brands, formulations and a license agreement. A deferred tax liability has been set up in the amount of $2.1 million and has been recorded based on these intangible assets fair value adjustments to inventory, and total accretion on Knight Loan which, collectively, have resulted in the recognition of a deferred tax asset, in the amount of $2.1 million, with a corresponding amount to income tax recovery.

A reconciliation between the Company's statutory and effective tax rates is presented below**:**

	Year Ended December 31, 2016	Year Ended December 31, 2015
	%	%
Statutory rate	**26.5**	26.5
Items not deducted for tax	**(3.0)**	(0.5)
Impact of foreign income tax rate differential	**1.3**	1.5
Losses and other deductible temporary differences not benefited	**(10.6)**	(27.5)
	14.2	-

Loss Carryforwards
The legal entities comprising Crescita have non-capital losses available for carryforward to reduce future years' taxable income. These losses by jurisdiction are as follows:

	Expiry Period	Non-capital losses
		$
United States	2025	27
United States [(i)]	2023 to 2029	8,838
United States	2026 to 2036	32,611
Canada	2032 to 2036	17,041
		58,517

(i) These U.S. losses carried forward relate to the unrestricted portion of the losses acquired upon the purchase of ZARS in 2011. The Company has US$34.3 million of U.S. losses carried forward relating to the portion of the acquired losses that are restricted due to the change in control and therefore are not included in the table.

Losses arising in entities included in Discontinued Operations (Note 6, *Discontinued Operations*) have not been previously recognized by the Company and are not disclosed as these have no future benefits.

The non-capital losses and related deferred tax assets reported in the table above represent amounts reported for tax purposes by the legal entities comprising Crescita and, accordingly, both (a) exclude costs reported in these Consolidated Financial Statements that were reported for tax purposes by Nuvo, and (b) include costs reported for tax purposes by the legal entities comprising Crescita.

19. COMMITMENTS

The Company has purchase commitments and minimum future rental payments under operating leases for the twelve months ending December 31 as follows:

	Purchase Obligations	Operating Leases	Total
	$	$	$
2017	1,625	565	2,190
2018	2,026	408	2,434
2019	2,459	397	2,856
2020 and thereafter	3,195	1,507	4,702
	9,305	**2,877**	**12,182**

For the year ended December 31, 2016, payments under operating leases totalled $0.4 million [December 31, 2015 - $0.2 million]. These payments include a portion of Nuvo's corporate office lease during the carve-out period which had been allocated to the Company prior to March 1, 2016.

Guarantees
The Company periodically enters into research, licensing, distribution or supply agreements with third parties that include indemnification provisions that are customary in the industry. These guarantees generally require the Company to compensate the other party for certain damages and costs incurred as a result of third-party intellectual property claims or damages arising from these transactions. In some cases, the maximum potential amount of future payments that could be required under these indemnification provisions is unlimited. These indemnification provisions generally survive termination of the underlying agreements. The nature of the intellectual property indemnification obligations prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, the Company has not made any indemnification payments under such agreements and no amount has been accrued in these Consolidated Financial Statements with respect to these indemnification obligations.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair values of the Company's current financial assets and liabilities approximate their carrying amounts due to the short period to maturity of these instruments.

The fair values of the Company's non-current obligations have been estimated using rates currently available to the Company for obligations with similar terms and remaining maturities. The fair values of these instruments approximate their carrying values.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - determined by reference to quoted prices in active markets for identical assets and liabilities.
Level 2 - include those where valuations are determined using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly.
Level 3 - valuations are those based on inputs that are unobservable and significant to the overall fair value measurement.

The following table provides the fair value measurement hierarchy of the financial instruments measured at fair value subsequent to initial recognition in the Consolidated Statements of Financial Position as at:

	December 31, 2016			December 31, 2015		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Recurring fair value measurements						
Contingent Milestone Payments relating to the acquisition of INTEGA (Note 5)	**-**	**-**	**63**	-	-	-
SARs (Note 14)	**-**	**229**	**-**	-	565	-
DSUs (Note 14)	**-**	**-**	**-**	526	-	-

Valuation methods and assumptions

Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurements. The Company reviews the fair value hierarchy classification on a quarterly basis. Changes to the ability to observe valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy. The Company did not have any transfer of assets and liabilities between Level 1, Level 2 and Level 3 of the fair value hierarchy during the years ended December 31, 2016 and 2015.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. However, considerable judgment is required to develop these estimates. Accordingly, these estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies.

Prior to their settlement as part of the Arrangement, Level 1 liabilities included obligations of the Company for the DSUs described in Note 14, *Share-based Compensation and Other Share-based Payments*. One DSU had a cash value equal to the market price of one of Nuvo's common shares. The Company revalued the DSU liability each reporting period using the market value of the underlying shares.

Level 2 liabilities include obligations of the Company for the SARs Plan described in Note 14, *Share-based Compensation and Other Share-based Payments*. The fair values of each tranche of SARs issued and outstanding are revalued at each reporting period using the Black-Scholes option pricing model.

Level 3 liabilities include obligations of the Company for the Milestone Payments relating to the acquisition of INTEGA described in Note 5, *Acquisition of INTEGA.* The fair value of the contingent consideration is revalued at each reporting period based on management's best estimate of the probability of achieving the Milestones, using an appropriate discount rate. A significant increase (decrease) in the probability of achieving a Milestone would result in higher (lower) fair value of the contingent consideration liability, while a significant increase (decrease) in the discount rate would result in lower (higher) fair value of the liability. During the year ended December 31, 2016, the fair value of the Milestone Payments decreased and the changes are reflected in the results of operations for the year.

Risk Factors
The following is a discussion of liquidity, credit and market risks and related mitigation strategies that have been identified. This is not an exhaustive list of all risks nor will the mitigation strategies eliminate all risks listed.

Liquidity Risk
Prior to the Reorganization, the Company was economically dependent on, and has historically relied on, Nuvo for funding to support its operations. Under the terms of the Arrangement, Nuvo transferred $35.0 million of cash to the Company to provide working capital. The Company anticipates that its current cash and the revenue it expects to generate from product sales and milestone payments related to out-licensing its products, in addition to royalty payments on the global net sales of Pliaglis may not fund Crescita's operations as currently planned through 2017. Additional funding may be required for the development of new products and/or for future acquisitions.

The Company has purchase commitments and minimum future rental payments under operating leases of $2.2 million that are due in less than one year and $10.0 million that is payable from 2018 to 2023.

The Company's exposure to liquidity risk is dependent on the sales growth and profitability of INTEGA which will be impacted by the status of competitive products and the success of the Company in developing and maintaining markets for its products. In addition, a number of other factors will have an impact to liquidity risk including the level of research and development (R&D) expenditures for product candidates, costs associated with maintaining regulatory approvals, the timing of payments received or made under licensing arrangements and the acquisition costs of licenses for new products or technologies.

Credit Risk
Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that may subject the Company to credit risk consist of cash and amounts receivable from global customers. The Company manages its exposure to credit risk by holding cash on deposit in major financial institutions. The Company, in the normal course of business, is exposed to credit risk from its global customers. The accounts receivable are subject to normal industry risks in each geographic region in which the Company operates. In addition, the Company is exposed to credit-related losses on sales to its customers outside North America due to potentially higher risks of enforceability and collectability.

As at December 31, 2016, 9% of accounts receivable related to customers outside North America and the E.U. [December 31, 2015 - 68%].

Pursuant to their collective terms, accounts receivable were aged as follows:

	December 31, 2016	December 31, 2015
	$	$
Current	**476**	188
0-30 days past due	**783**	7
31-60 days past due	**235**	-
61-90 days past due	**143**	-
Over 90 days past due	**42**	
	1,679	195

As at December 31, 2016, the allowance for doubtful accounts receivable was $0.1 million [December 31, 2015 - $nil].

Interest Rate Risk
The Company's long-term debt bears interest at a rate of 9% per year, compounded on a monthly basis. However, if the 1-year LIBOR rate plus 6% exceeds 9% at any interest payment date, interest for that month will be calculated using the 1-year LIBOR rate plus 6% instead of 9%.

Currency Risk
The Company operates globally, which gives rise to a risk that earnings and cash flows may be adversely affected by fluctuations in foreign currency exchange rates. The Company is primarily exposed to the U.S. dollar and euro, but also transacts in other foreign currencies. The Company currently does not use financial instruments to hedge these risks. The significant balances in foreign currencies were as follows:

	Euros		U.S. Dollars	
	December 31, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
	€	€	**$**	$
Cash	**50**	153	**1,680**	156
Accounts receivable	**-**	85	**66**	49
Other current assets	**126**	2	**90**	-
Accounts payable and accrued liabilities	**(51)**	(864)	**(522)**	(274)
Other short-term obligations	**(4)**	-	**(35)**	(162)
	121	(624)	**1,279**	(231)

Based on the aforementioned net exposure as at December 31, 2016, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the U.S. dollar would have an effect of $0.2 million on total comprehensive loss and a 10% appreciation or depreciation of the Canadian dollar against the euro would have an effect of $17 on total comprehensive loss.

In terms of the euro, the Company had one significant exposure: its net investment and net cash flows in its European operations, which have now been discontinued (see Note 6*, Discontinued Operations*). In terms of the U.S. dollar, the Company has four significant exposures: its net investment and net cash flows in its U.S. operations, its product sales to U.S. customers, royalties from licensing agreement with Galderma S.A. (Galderma) regarding Pliaglis and the cost of running trials and other studies at U.S. sites.

The Company does not actively hedge any of its foreign currency exposures given the relative risk of currency versus other risks the Company faces and the cost of establishing the necessary credit facilities and purchasing financial instruments to mitigate or hedge these exposures. As a result, the Company does not attempt to hedge its net investments in foreign subsidiaries.

21. CAPITAL MANAGEMENT

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue the Company's development plans for each of its drug candidates and to maintain its ongoing operations. Product revenues from the Company's approved drug products are not yet significant enough to fund ongoing operations. As a result, to secure the capital necessary to pursue its development plans and fund ongoing operations, the Company will need to raise additional funds through the issuance of debt or equity, by entering into distribution and license agreements or by entering into co-development agreements.

The Company currently defines its capital to include its cash, common shares and contributed surplus. In the past, the Company has financed its operations primarily through funding provided by Nuvo.

The Company was economically dependent on and has historically relied on Nuvo for funding to support its operations. Under the terms of the Arrangement, Nuvo invested $35.0 million of additional funds in the Company to provide working capital. The Company anticipates that its current cash and the revenue it expects to generate from product sales and milestone payments related to out-licensing its products, in addition to royalty payments on the global net sales of Pliaglis may not fund Crescita's operations as currently planned through 2017. Additional funding may be required for the development of new products and/or for future acquisitions. Unexpected increases in Crescita's costs and expenses due to operational decisions by Crescita and/or factors beyond Crescita's control could cause its cash resources to be depleted and profitability will not be achieved.

There can be no assurance that Crescita will have sufficient capital to fund its ongoing operations or develop or commercialize any further products or make product acquisitions without future financings, and until such time as Crescita files its BAR with respect to the acquisition of INTEGA, it will be unable to issue securities qualified by a prospectus. In addition, if it is able to do so, Crescita may not be able to secure adequate debt or equity financing

on desirable terms or at all. The credit ratings that Crescita might obtain in connection with any debt financing may make securing debt financing prohibitive. There can be no assurance that additional financing will be available on acceptable terms or at all.

If adequate funds are not available, Crescita may have to substantially reduce or eliminate planned expenditures, terminate or delay clinical trials for its product candidates, curtail product development programs designed to expand the product pipeline or discontinue certain operations.

22. SEGMENTED INFORMATION

Prior to the acquisition of INTEGA, the TPT Group had one commercial product: Pliaglis, a topical local anaesthetic cream that provides safe and effective local dermal anaesthesia on intact skin prior to superficial dermatological procedures, such as dermal filler injections, pulsed-dye laser therapy, facial laser resurfacing and laser-assisted tattoo removal. The Company owns the commercial rights in the U.S., Canada and Mexico and has licensed worldwide marketing rights to Galderma. Pliaglis is approved for sale and marketing in the U.S., Canada and Mexico, as well as multiple European, South America and Asian countries. Galderma launched the commercial sale and marketing of Pliaglis in the U.S. and multiple countries in the E.U. in 2013, South America in 2014 and Canada in 2015. In December 2015, the Company reacquired the Pliaglis development and marketing rights from Galderma for the U.S., Canada and Mexico. The TPT Group has a pipeline of products to treat a variety of therapeutic areas with a focus on dermatology and pain.

The acquisition of INTEGA provides the TPT Group a revenue-generating, fully integrated commercial skincare business and manufacturing facility. The Company owns the worldwide distribution rights to INTEGA's well-known and established skincare brands: Laboratoire Dr Renaud, Pro-Derm, Premiology and ISDIN.

As a result of discontinuing the operations of the Immunology Group (see Note 6, *Discontinued Operations*), the Company now operates in one segment.

Geographic Information

The Company's revenue is derived from sales to and licensing revenue from external customers located in the following geographic areas:

	December 31, 2016	December 31, 2015
	$	$
Canada	**2,672**	2
Europe	**576**	114
Other foreign countries	**248**	58
U.S.	**8**	54
	3,504	228

As at December 31, 2016, all the Company's PP&E was located in Canada.

23. RELATED PARTY TRANSACTIONS

Prior to the completion of the Arrangement on March 1, 2016, Nuvo was considered a related party due to its parent-subsidiary relationship with the Crescita entities.

Corporate Cost Allocation

Prior to March 1, 2016, these financial statements include corporate expenses allocated from Nuvo's corporate office. General corporate expense allocations represent costs related to corporate functions such as executive oversight, risk management, accounting, legal, investor relations, human resources, tax and other services. Expense allocations also include costs for certain compensation-related items such as share-based compensation that Nuvo provides to certain employees of the Company.

Corporate cost allocations that are reflected in SG&A expenses and R&D expenses totalled $2.2 million and $0.2 million for the period from January 1, 2016 to February 29, 2016 [SG&A - $5.8 million and R&D - $0.3 million for the year ended December 31, 2015].

The Company and Nuvo considered these general corporate expense allocations to be a reasonable reflection of the underlying nature of the operations of these entities and of the utilization of services provided. The allocations may not, however, reflect the expense the Company would have incurred as a stand-alone company. Actual costs which may have been incurred if the Company had been a stand-alone public company prior to March 1, 2016 would depend on a number of factors, including how the Company chose to organize itself, what if any, functions were outsourced or performed by the Company's employees and strategic decisions in areas such as infrastructure.

Transitional Services Agreement

Effective March 1, 2016, Nuvo and Crescita entered into a reciprocal transitional services agreement (TSA) with a term of 18 months. Under the TSA, (a) Nuvo provides corporate-level employee services, quality assurance support and facility rental, and (b) Crescita provides Nuvo corporate-level employee services, R&D and legal support, and facility and equipment rental.

Effective September 12, 2016, the Chief Financial Officer transition services agreement between Nuvo and Crescita was terminated.

The following is a summary of the transactions between Nuvo and Crescita for the period April 1, 2016 to December 31, 2016:

	Year Ended December 31, 2016
	$
Transactions under the transitional services agreement:	
Services provided to Nuvo	**359**
Services received from Nuvo	**312**

After March 1, 2016, both Nuvo and Crescita paid for certain costs on behalf of the other company, as necessary, to facilitate the separation of the Nuvo and Crescita accounting functions. As at December 31, 2016, Crescita recognized a net receivable of $0.1 million due from Nuvo resulting from services provided and costs to be reimbursed between the companies during the transition. The Company is in the process of revising the TSA which will impact the services revenue for the remaining term.

Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors. Key management includes four executive officers and five non-employee directors. Compensation for the Company's key management personnel was as follows:

	Year ended December 31, 2016	Year ended December 31, 2015
	$	$
Short-term wages, bonuses and benefits	**1,288**	839
Share-based payments	**481**	7
Total key management compensation	**1,769**	846
Included in:		
Research and development expenses	**100**	(27)
General and administrative expenses	**1,669**	873
Total key management compensation	**1,769**	846